



**SAM WOO HOLDINGS LIMITED**

**三和集團有限公司\***

(Incorporated in Bermuda with limited liability)

Interim Report  
**2006**



\* For identification purposes only

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The board (the "Board") of directors of Sam Woo Holdings Limited (the "Company") is pleased to present the unaudited consolidated financial statements for the six months ended 30th September 2005 (the "Period") of the Company and its subsidiaries (collectively the "Group") together with comparative figures for the corresponding period in 2004.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group recorded a turnover of HK\$20.8 million and a gross profit of HK\$0.5 million for the Period as compared to a turnover of HK\$8.2 million and a gross loss of HK\$21.2 million for the same period in 2004. The improvement in turnover and gross profit was mainly attributable to the increased volume in machinery and equipment sales. During the Period, the Group collected and recognized as other income a sum of HK\$15.0 million for claims on a completed construction project, against which provision had previously been made. Overall, the Group recorded a net profit of HK\$2.6 million for the Period as compared to a net loss of HK\$29.1 million for the same period last year, clearly demonstrating that the Group had successfully overcome the most difficult conditions in the past year by repositioning its focus to machinery trading and marine foundation projects while actively pressing for potential claims on completed projects.

Looking forward, the Group will continue its focus in developing its machinery trading and foundation projects overseas. To enhance its competitive edge and broaden its customer base, the Group had in early December 2005 entered into an agreement to purchase a vessel-holding company which is the owner of a heavy lift type transport vessel. The vessel will serve to mobilize the Group's resources to undertake construction projects and machinery trading businesses overseas and also support the Group to begin diversification into ocean transport business. Further details on the acquisition of the vessel-holding company will be circulated to the shareholders of the Company as soon as practicable and in accordance with regulatory requirements.

## LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

The Group's total assets and net assets as at 30th September 2005 amounted to HK\$303.7 million (31st March 2005: HK\$326.0 million) and HK\$133.6 million (31st March 2005: HK\$131.0 million) respectively.

As at 30th September 2005, the Group had cash and bank balances of HK\$47.9 million (31st March 2005: HK\$50.6 million) and total borrowings of HK\$117.4 million (31st March 2005: HK\$148.9 million). Current portion of long term borrowings, short term bank loans and bank overdrafts as at 30th September 2005 amounted to HK\$113.3 million (31st March 2005: HK\$129.2 million). The Group's gearing ratio, calculated by dividing the Group's net borrowings by total equity, was 0.52 at the end of the Period.

The Group's borrowings are denominated and operations conducted mainly in local currency and United State dollars and have minimal exposure to foreign exchange fluctuations. Interest on the Group's borrowings was mainly on floating rate basis.

## CHARGES ON ASSETS

The net book value of machinery and equipment held under finance leases amounted to HK\$51.9 million and fixed assets pledged for certain long term loans amounted to HK\$38.2 million. Certain banking facilities were secured by bank deposits of HK\$46.7 million.

## CONTINGENT LIABILITIES

Contingent liabilities of the Group are disclosed in note 17 to the accounts.

## NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

The Group had about 55 (excluding directors) staff member as at the end of the Period and provides competitive remuneration packages to employees which commensurate with individual job nature and performance.

The Group adopted a share option scheme as incentive to eligible persons for their contributions to the Group. Details of the scheme are set out under separate heading in this report.

## DISCLOSURE OF INTERESTS OF DIRECTORS

As at the date of this report, the interest and short positions of directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance, or as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:

### (a) Directors' interest in the Company:

Name of director	Number of shares	Approximate percentage of shareholding	Capacity
Mr. Lau Chun Ming	Long position 500,000 shares (Notes 1 & 5)	0.16%	Beneficial owner
Mr. Lau Chun Kwok	Long position 23,000,000 shares (Notes 1 & 2)	7.66%	Beneficial owner and interest of a controlled company
Mr. Lau Chun Ka	Long position 23,000,000 shares (Notes 1 & 3)	7.66%	Beneficial owner and interest of a controlled company
Ms. Leung Lai So	Long position 180,500,000 shares (Notes 1 & 4)	60.16%	Beneficial owner and beneficiary of a discretionary trust
Mr. Hsu Kam Yee, Simon	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Mr. Chan Sun Kwong	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Mr. Chiu Kam Kun, Eric	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Dr. Lee Peng Fei, Allen	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Professor Wong Sue Cheun, Roderick	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner

## DISCLOSURE OF INTERESTS OF DIRECTORS (CONTINUED)

### (b) Directors' interest in the associated corporations:

Name of director	Name of company	Number of shares	Approximate percentage of shareholding	Capacity
Ms. Leung Lai So	Actiease Assets Limited	Long position 61 shares	100%	Beneficiary of a discretionary trust
Ms. Leung Lai So	Silver Bright Holdings Limited	Long position 10,000 shares	100%	Beneficiary of a discretionary trust

#### Notes:

- On 28th May 2003, the Company granted to each of the director an option to subscribe for 500,000 shares in the share capital of the Company.
- 22,500,000 shares were held by CKL Development Limited, a corporation which is controlled by Mr. Lau Chun Kwok.
- 22,500,000 shares were held by Nice Fair Group Limited, a corporation which is controlled by Mr. Lau Chun Ka.
- 180,000,000 shares were held by Actiease Assets Limited, a company wholly-owned by Silver Bright Holdings Limited which is indirectly owned by a discretionary trust of which Ms. Leung Lai So is a beneficiary.
- Mr. Lau Chun Ming's interest does not include the 60.16% interest of his spouse, Ms. Leung Lai So, in the Company.

## DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance as at 30th September 2005 are as follows:

Name of substantial shareholder	Number of shares	Approximate percentage of shareholding	Capacity
Actiease Assets Limited	Long position 180,000,000 shares	60%	Beneficial owner
Silver Bright Holdings Limited	Long position 180,000,000 shares	60%	Interest of a controlled company

## DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Name of substantial shareholder	Number of shares	Approximate percentage of shareholding	Capacity
ManageCorp Limited	Long position 180,000,000 shares	60%	Trustee
Dao Heng Trustee (Jersey) Limited as trustee of The LCM 2002 Trust	Long position 180,000,000 shares	60%	Trustee
CKL Development Limited	Long position 22,500,000 shares	7.5%	Beneficial owner
Nice Fair Group Limited	Long position 22,500,000 shares	7.5%	Beneficial owner
Ms. Tang Lin Ngor	Long position 22,500,000 shares	7.5%	Interest of her spouse
Ms. Ip Fung Sheung	Long position 22,500,000 shares	7.5%	Interest of her spouse

## SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution of the sole shareholder passed on 25th March 2003. The maximum number of shares in respect of which options may be granted shall not exceed 30,000,000 shares representing 10 per cent. in nominal amount of the issued share capital of the Company on 9th April 2003 (the "Listing Date"). The maximum entitlement of each participant shall not exceed 1 per cent. of the shares in issue in any 12-month period up to the date of the latest grant of options.

As at 30th September 2005, all the share options granted under the Scheme were still outstanding. No options were exercised, cancelled or lapsed during the Period.

The following are the particulars of outstanding options:

Name of the participant	Date of grant	No. of options outstanding as at 30th September 2005	Vesting period	Exercise period	Exercise price
Mr. Lau Chun Ming	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Lau Chun Kwok	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69

## SHARE OPTION SCHEME (CONTINUED)

Name of the participant	Date of grant	No. of options outstanding as at 30th September 2005	Vesting period	Exercise period	Exercise price
Mr. Lau Chun Ka	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Ms. Leung Lai So	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Hsu Kam Yee, Simon	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Chan Sun Kwong	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Chiu Kam Kun, Eric	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Dr. Lee Peng Fei, Allen	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Professor Wong Sue Cheun, Roderick	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
		4,500,000			

Except for the foregoing, during the Period and up to the date of this report, none of the Directors (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or any other body corporate.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the Period.



## CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the Period.

The Company revised the terms of reference of its audit committee in July 2005 in order to align the same with the relevant code provisions. The Company also established a remuneration committee in July 2005 with written terms of reference in compliance with the relevant code provisions. Shareholders of the Company had resolved to amend the bye-laws of the Company at its Annual General Meeting held in August 2005 for compliance with code provisions concerning appointments, re-election and removal of directors. The Company's bye-laws, in its original forms, provide that a number nearest to but no more than one third of the total number of directors, are to retire every year and that the chairman of Company is not subject to retirement by rotation. Consequently, two of the directors have been serving on the Board for four consecutive years. At the forthcoming annual general meeting, all directors whom have served consecutively for three or more years shall be subject to retirement in accordance with the amended bye-laws. The chairman of the Company, Mr. Lau Chun Ming, also served as chief executive until 19th December 2005. The Board has on 19th December 2005 appointed Mr. Lau Chun Kwok, an executive director of the Company, as chief executive officer. The Board considers Mr. Lau Chun Kwok's experience and network in the construction and machinery trading businesses being invaluable for the future development of the Group.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules as its own code regarding securities transactions by directors of the Company and its subsidiaries and employees of the Group who are likely to be in possession of unpublished price-sensitive information. All directors have confirmed, upon specific enquiry made, that they have complied with the Model Code throughout the Period.

## AUDIT COMMITTEE

The audit committee, comprising three independent non-executive directors, has reviewed the unaudited interim financial statements of the Group for the six months ended 30th September 2005.

By order of the Board  
**Sam Woo Holdings Limited**  
**LAU Chun Ming**  
*Chairman*

Hong Kong, 23rd December 2005

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

	Note	Unaudited Six months ended 30th September	
		2005 HK\$'000	2004 HK\$'000
Turnover	2	20,753	8,210
Cost of sales		(20,259)	(29,397)
Gross profit/(loss)		494	(21,187)
Other revenue	2	437	91
Other income	3	15,263	979
Administrative expenses		(9,612)	(11,285)
Transfer to deferred income		(1,157)	–
Operating profit/(loss)	5	5,425	(31,402)
Finance costs		(3,204)	(2,808)
Profit/(loss) before taxation		2,221	(34,210)
Taxation	6	350	5,126
Profit/(loss) for the period		2,571	(29,084)
Attributable to:			
Equity holders of the Company		2,571	(29,084)
Earnings/(loss) per share attributable to the equity holders of the Company			
Basic	8	HK0.86 cents	HK(9.69 cents)

## CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER 2005

	Note	Unaudited 30th September 2005 HK\$'000	Audited 31st March 2005 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets		206,459	226,822
Deferred tax assets	16	1,636	911
		<b>208,095</b>	227,733
<b>Current assets</b>			
Trade receivables	10	15,580	20,545
Deposits, prepayments and other receivables		2,037	1,598
Inventories		7,138	8,686
Amounts due from customers for contract works		22,909	16,115
Tax recoverable		–	710
Cash and bank balances			
Unrestricted		1,262	3,964
Restricted		46,659	46,600
		<b>95,585</b>	98,218
<b>Total assets</b>		<b>303,680</b>	325,951
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	15	30,000	30,000
Reserves		103,615	101,044
<b>Total equity</b>		<b>133,615</b>	131,044
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term liabilities	14	4,127	19,750
Deferred tax liabilities	16	31,075	32,827
		<b>35,202</b>	52,577

## CONSOLIDATED BALANCE SHEET (CONTINUED)

### AS AT 30TH SEPTEMBER 2005

		Unaudited 30th September 2005 HK\$'000	Audited 31st March 2005 HK\$'000
	Note		
<b>Current liabilities</b>			
Trade payables	11	5,853	7,011
Accruals and other payables		4,492	5,184
Deferred income		2,093	936
Amounts due to related companies	12	2,251	–
Amounts due to directors	13	5,730	–
Secured short-term bank loans		20,000	33,915
Current portion of long-term liabilities	14	33,192	37,149
Taxation payable		1,144	–
Bank overdrafts		60,108	58,135
		<b>134,863</b>	142,330
<hr style="border-top: 1px dashed black;"/>			
<b>Total liabilities</b>		<b>170,065</b>	194,907
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<b>Total equity and liabilities</b>		<b>303,680</b>	325,951
<hr style="border-top: 3px double black;"/>			
<b>Net current liabilities</b>		<b>(39,278)</b>	(44,112)
<hr style="border-top: 3px double black;"/>			
<b>Total assets less current liabilities</b>		<b>168,817</b>	183,621
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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

	Unaudited			Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	
At 1st April 2004	30,000	14,940	108,278	153,218
Loss for the period	–	–	(29,084)	(29,084)
At 30th September 2004	30,000	14,940	79,194	124,134
At 1st April 2005	<b>30,000</b>	<b>14,940</b>	<b>86,104</b>	<b>131,044</b>
Profit for the period	–	–	<b>2,571</b>	<b>2,571</b>
At 30th September 2005	<b>30,000</b>	<b>14,940</b>	<b>88,675</b>	<b>133,615</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

	Unaudited Six months ended 30th September	
	2005 HK\$'000	2004 HK\$'000
Net cash from/(used in) operating activities	14,525	(15,467)
Net cash from investing activities	14,354	7,376
Net cash used in financing activities	(33,554)	(38,810)
Decrease in cash and cash equivalents	(4,675)	(46,901)
Cash and cash equivalents at beginning of the period	(54,171)	(30,118)
Cash and cash equivalents at end of the period	(58,846)	(77,019)
Analysis of balances of cash and cash equivalents:		
Cash and bank balances, unrestricted	1,262	1,581
Bank overdrafts	(60,108)	(78,600)
	(58,846)	(77,019)

## NOTES TO CONDENSED ACCOUNTS

### 1 Basis of preparation and accounting policies

These unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial information should be read in conjunction with the 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st March 2005.

Other than certain presentation changes, the adoption of the new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005 does not have a material impact to the Group as a whole.

### 2 Turnover and revenues

The Group is principally engaged in foundation works, leasing of machinery and equipment for foundation works and trading of machinery and equipment. Turnover and revenues recognised during the period are as follows:

	Unaudited Six months ended 30th September	
	2005 HK\$'000	2004 HK\$'000
Turnover		
Revenue from foundation works	9,097	7,098
Rental of machinery and equipment	3,507	1,112
Sale of machinery and equipment	8,149	—
	<b>20,753</b>	8,210
Other revenue		
Interest income	437	91
	<b>437</b>	91
Total revenues	<b>21,190</b>	8,301

### 3 Other income

Included in other income is HK\$15,000,000 recovered from a main contractor for settlement of dispute. The amount was fully provided for in previous years and is written back in the current period to the extent of payment received by the Group up to 30th September 2005.

### 4 Segment information

#### (a) Business segments-primary reporting format

	Unaudited Six months ended 30th September 2005		
	Foundation works HK\$'000	Trading of machinery and equipment HK\$'000	Total HK\$'000
Turnover	12,604	8,149	20,753
Segments results	4,804	4,900	9,704
Interest income			437
Unallocated expenses			(4,716)
Operating profit			5,425
Finance costs			(3,204)
Taxation			350
Profit attributable to equity holders of the Company			2,571
Capital expenditure	706	–	706
Depreciation	11,114	–	11,114
<b>As at 30th September 2005, unaudited</b>			
Segment assets	244,558	9,184	253,742
Unallocated assets			49,938
Total assets			303,680
Segment liabilities	71,187	70	71,257
Unallocated liabilities			98,808
Total liabilities			170,065



## 4 Segment information (continued)

## (a) Business segments-primary reporting format (continued)

	Unaudited Six months ended 30th September 2004		
	Foundation works HK\$'000	Trading of machinery and equipment HK\$'000	Total HK\$'000
Turnover	8,210	–	8,210
Segments results	(26,707)	–	(26,707)
Interest income			91
Unallocated income			979
Unallocated expenses			(5,765)
Operating loss			(31,402)
Finance costs			(2,808)
Taxation			5,126
Loss attributable to equity holders of the Company			(29,084)
Capital expenditure	35	–	35
Depreciation	11,966	4	11,970
<b>As at 31st March 2005, audited</b>			
Segment assets	263,782	9,896	273,678
Unallocated assets			52,273
Total assets			325,951
Segment liabilities	102,487	108	102,595
Unallocated liabilities			92,312
Total liabilities			194,907

## (b) Geographical segments – secondary reporting format

No geographical segment analysis is presented as all operations of the Group are located in Hong Kong.

## 5 Operating profit/(loss)

	Unaudited Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000

Operating profit/(loss) is stated after charging:

Cost of inventories sold	3,236	–
Staff costs, excluding directors' emoluments	6,491	9,037
Auditors' remuneration	100	80
Depreciation		
Owned fixed assets	8,755	8,319
Leased fixed assets	2,359	3,651
Operating lease rentals in respect of land and buildings	1,723	926

and after crediting:

Bad debt recovered	15,000	–
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## 6 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. The amount of taxation credited to the consolidated profit and loss account represents:

	Unaudited Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong profits tax (credit)/charge		
Current	2,127	–
Deferred (note 16)	(2,477)	(5,126)
	(350)	(5,126)

## 7 Dividends

The Directors do not recommend the payment of dividend in respect of the six months ended 30th September 2005 (2004: nil).

## 8 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to equity holders of the Company of HK\$2,571,000 (2004: loss of HK\$29,084,000) and the number of 300,000,000 (2004: 300,000,000) ordinary shares in issue during the period. Diluted earnings/(loss) per share is not presented as the exercise of share options would have no dilutive effect on earnings/(loss) per share for periods ended 30th September 2005 and 30th September 2004.

## 9 Capital expenditure

During the six months ended 30th September 2005, the Group acquired plant and machinery and furniture and fixtures totaling HK\$706,000 (six months ended 30th September 2004: HK\$35,000) and disposed of plant and machinery and other fixed assets with a net book value of HK\$9,955,000 (six months ended 30th September 2004: HK\$6,360,000).

## 10 Trade receivables

Receivables in respect of contracting work in progress are under credit terms of around one month after the issuance of architects' certificates. Retention held by customers for contract works included in trade receivables as at 30th September 2005 amounted to HK\$6,414,000 (31st March 2005: HK\$7,679,000). The ageing analysis of the remaining trade receivables is as follows:

	<b>Unaudited 30th September 2005 HK\$'000</b>	Audited 31st March 2005 HK\$'000
0 to 90 days	<b>4,989</b>	7,977
91 to 180 days	<b>143</b>	106
181 to 365 days	<b>–</b>	939
More than one year	<b>4,034</b>	3,844
	<b>9,166</b>	12,866

## 11 Trade payables

Retention payable included in trade payables as at 30th September 2005 amounted to HK\$132,000 (31st March 2005: HK\$131,000). The ageing analysis of the remaining trade payables is as follows:

	<b>Unaudited 30th September 2005 HK\$'000</b>	Audited 31st March 2005 HK\$'000
0 to 90 days	1,057	5,063
91 to 180 days	1,739	33
181 to 365 days	89	19
More than one year	2,836	1,765
	<b>5,721</b>	6,880

## 12 Amounts due to related companies

The amounts payable are unsecured, interest free and have no fixed terms of repayment.

## 13 Amounts due to directors

The amounts payable to directors are unsecured, interest free and have no fixed terms of repayment.

## 14 Long-term liabilities

	<b>Unaudited 30th September 2005 HK\$'000</b>	Audited 31st March 2005 HK\$'000
Bank loans, secured (note (a))	21,941	32,092
Obligations under finance leases (note (b))	15,378	24,807
Wholly repayable within five years	37,319	56,899
Less: amounts due within one year included under current liabilities	(33,192)	(37,149)
	<b>4,127</b>	19,750

**14 Long-term liabilities (continued)**

Notes:

- (a) The Group's bank loans are repayable as follows:

	<b>Unaudited 30th September 2005 HK\$'000</b>	Audited 31st March 2005 HK\$'000
Within one year	<b>20,860</b>	20,875
In the second year	<b>1,081</b>	11,217
	<b>21,941</b>	32,092

Interest is charged on the balances at rates ranging from 1.5% above HIBOR to 1% above Hong Kong prime rate. The banking facilities were secured by certain of the Group's bank deposits, machinery and equipment, corporate guarantee given by certain companies of the Group and personal guarantee provided by Mr. Lau Chun Ming, a director of the Company.

- (b) Obligations under finance leases are payable within the following periods:

	<b>Present value</b>		<b>Minimum payment</b>	
	<b>Unaudited 30th September 2005 HK\$'000</b>	Audited 31st March 2005 HK\$'000	<b>Unaudited 30th September 2005 HK\$'000</b>	Audited 31st March 2005 HK\$'000
Within one year	<b>12,332</b>	16,274	<b>12,934</b>	17,079
In the second year	<b>2,771</b>	7,216	<b>2,881</b>	7,424
In the third to fifth years	<b>275</b>	1,317	<b>277</b>	1,343
	<b>15,378</b>	24,807	<b>16,092</b>	25,846
Finance charges			<b>(714)</b>	(1,039)
			<b>15,378</b>	24,807

Interest is charged on the outstanding balances of finance leases at rates ranging from 2.75% above HIBOR to Hong Kong prime rate. The finance leases are secured by certain of the Group's machinery and equipment.

**15 Share capital**

	<b>Unaudited 30th September 2005 HK\$'000</b>	Audited 31st March 2005 HK\$'000
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Authorised:

1,000,000,000 shares of HK\$0.1 each	<b>100,000</b>	100,000
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Issued:

300,000,000 shares of HK\$0.1 each	<b>30,000</b>	30,000
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Pursuant to a resolution of the sole shareholder passed on 25th March 2003, the Share Option Scheme was approved and adopted. On 28th May 2003, options to subscribe for 4,500,000 ordinary shares of the Company were granted to directors. The grantees are entitled to exercise their options at a price of HK\$0.69 per share at any time during the period from 28th May 2004 to 27th May 2007. During the period, no option has been granted or cancelled under the Scheme and no option has been exercised by the grantees.

**16 Deferred taxation**

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2005: 17.5%). The movement of the net deferred tax liabilities is as follows:

	<b>Unaudited 30th September 2005 HK\$'000</b>	Audited 31st March 2005 HK\$'000
At beginning of the period/year	<b>(31,916)</b>	(37,201)
Deferred taxation credited to profit and loss account (note 6)	<b>2,477</b>	5,285
At end of the period/year	<b>(29,439)</b>	(31,916)

**16 Deferred taxation (continued)**

The movements in deferred tax liabilities and assets (prior to offsetting of balances within the same taxation jurisdiction) during the period/year are as follows:

<b>Deferred tax liabilities</b>	<b>Accelerated depreciation allowances</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>30th September</b>	<b>31st March</b>
	<b>2005</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At beginning of the period/year	<b>(38,003)</b>	(40,732)
Credited to profit and loss account	<b>2,756</b>	2,729
At end of the period/year	<b>(35,247)</b>	(38,003)
<b>Deferred tax assets</b>	<b>Tax losses</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>30th September</b>	<b>31st March</b>
	<b>2005</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At beginning of the period/year	<b>6,087</b>	3,531
(Charged)/credited to profit and loss account	<b>(279)</b>	2,556
At end of the period/year	<b>5,808</b>	6,087

## 17 Contingent liabilities

As at 30th September 2005, the Group had contingent liabilities of approximately HK\$11.9 million (31st March 2005: HK\$12.7 million) in respect of a number of litigation proceedings arising in the normal course of its business. These include both claims against the Group and counterclaims made by defendants of actions initiated by the Group.

An employees' compensation case has been lodged against certain subsidiaries of the Company in respect of a fatal accident that happened during the year ended 31st March 2005. No specific claim amount has been specified in the application submitted to court. The case is still at its early stage and it is not possible to estimate the net loss, if any, which may result.

The Directors of the Company are of the opinion that the ultimate liability under these proceedings, if any, would not have a material impact on the financial position of the Group. Accordingly, no provision has been made in the accounts.

## 18 Related party transactions

- (i) Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Vessel hiring expense to a related company (note (a))	<b>2,100</b>	–
Rental expenses to related companies (note (a))	<b>1,488</b>	540
Consultancy fee to related companies (note (b))	<b>840</b>	840

Notes:

- (a) Rental and hiring expenses are paid to companies beneficially owned by the directors of the Company based on the agreements entered into between the parties involved with reference to market rates of similar vessels/properties.
- (b) Consultancy fees were paid to companies in which the directors, Mr. Chan Sun Kwong and Mr. Chiu Kam Kun, Eric have beneficial interests in respect of their services provided to the Group, and were charged at monthly fees agreed by the parties involved.

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually agreed between the Group and the respective related parties.



**18 Related party transactions (continued)**

- (ii) Key management compensation

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Salaries and other short-term employee benefits	<b>3,030</b>	2,966
Retirement benefit scheme contribution	<b>54</b>	54

- (iii) Period/year end balance arising from above-mentioned transactions are as follows:

	<b>Unaudited</b>	Audited
	<b>30th September</b>	31st March
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Rental payable to related companies	<b>1,264</b>	–
Vessel hiring charges payable to a related company	<b>887</b>	–
Advance from a related company	<b>100</b>	–
Salaries payable to directors	<b>1,232</b>	–
Advance from directors	<b>4,498</b>	–

**19 Events after the balance sheet date**

On 1st December 2005, the Group signed a conditional agreement with the director, Mr. Lau Chun Ming, to acquire 100% interest in Master View Co., Ltd which is principally engaged in vessel holding and chartering. This constitutes a major and connected transaction subject to independent shareholders' approval at a general meeting. Details of this transaction are set out in the announcement made by the Company dated 9th December 2005.